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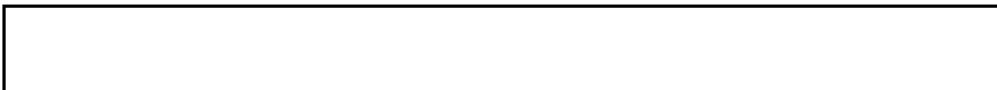
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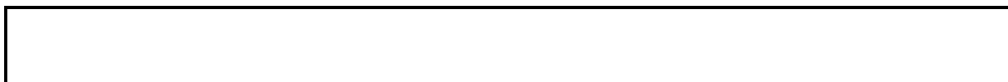
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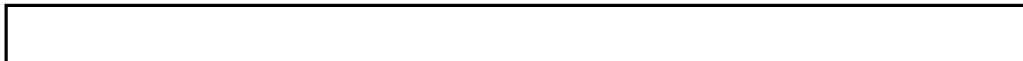
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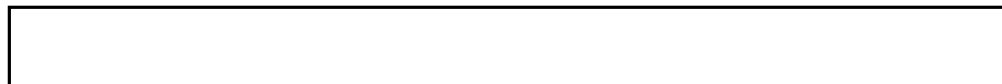
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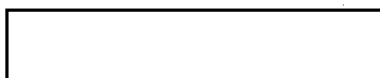
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SOUTH AFRICA

South African Prime Minister Vorster's bland public comments yesterday on Mozambican President Machel's announcement of a total boycott against Rhodesia seem intended to keep Pretoria's options open. Vorster probably hopes that South Africa's capabilities for softening the impact of the boycott can be used as bargaining chips in dealing with Rhodesian Prime Minister Smith, and possibly with the black African leaders with whom Vorster worked last year to get Rhodesian settlement talks started.

The South African transportation network is physically capable of handling a significant portion of the Rhodesian traffic—roughly half of Rhodesia's overseas trade—that has been going through seaports in Mozambique. An emergency rerouting of Rhodesian trade, however, would involve some costly disruptions in South Africa's normal traffic patterns.

Although the Mozambican boycott makes the Rhodesian settlers more dependent than ever on South African economic support, Vorster's reinforced leverage over Smith must be exerted discreetly. The Mozambican boycott represents the application of the UN sanctions against the Smith regime that are anathema to white South Africans, and Vorster will avoid any statements that could be construed as support for international sanctions. Nevertheless, he will probably make economic aid to Rhodesia contingent, at least in part, on Smith's cooperation with Vorster's efforts to resolve the Rhodesian conflict.

Since late 1974, Vorster has been quietly pushing Smith to negotiate a settlement with the black Rhodesian nationalists, and he probably is now more anxious than ever to bring about a settlement that might head off an escalating insurgency. The negotiations between Smith and Joshua Nkomo that began last December appear headed for failure, and Vorster no doubt fears that the insurgents who are concentrated in Mozambique may soon be supported by Cuban troops.

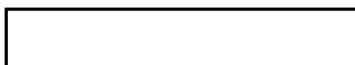
Although a gradual withdrawal from Rhodesia of some 1,500 South African paramilitary police was completed last August, Pretoria has maintained some logistic support for the Rhodesian security forces. An escalation of guerrilla warfare in Rhodesia would put Vorster under intense domestic political pressures to resume open military aid for Smith, a move that would cancel his efforts toward peaceful coexistence with Mozambique and other black African states.

Vorster may also see his reinforced leverage over Smith as an opportunity to reactivate the quiet liaison with the four African presidents that brought about a truce between Smith and the Rhodesian insurgents in December 1974. The joint

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mediation efforts have lapsed during recent months, as the four presidents veered toward preparations for a Rhodesian guerrilla offensive. Although guerrilla incursions from Mozambique into Rhodesia have increased markedly in the past few weeks, Machel's boycott announcement may be a last ditch effort, before resorting to an all-out guerrilla invasion to pressure Smith to make concession to Nkomo.



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GREECE-TURKEY

Greece and Turkey have apparently reached a compromise agreement on Ankara's proposed Aegean military exercise on Tuesday and Wednesday, thereby defusing a situation that could have led to an incident.

According to senior Greek Foreign Ministry officials, the compromise will permit the Turkish exercise to take place west of the Greek island of Lesbos, while ensuring that air and sea traffic to and from the island will not be interrupted.

Athens took a dim view of being cut off from Lesbos, and Greek officials informed the US embassy in Athens that they considered the original Turkish request to be a provocative act made intentionally as part of Ankara's continuing effort to underscore its claims in the Aegean.

Specifically, Turkish diplomats have agreed, after strong protests from the Greeks, to a sharp cutback in planned air activity—including a restriction on the zones of operations and a ban on practice bombing and firings. Turkish warships will be excluded from the exercise.

Under these limitations, Turkish aircraft will be able to practice little more than navigational maneuvers. In contrast, a combined air and naval exercise held last November included firing by some 15 F-4 and F-104 aircraft against targets towed by naval vessels. At least two destroyers also participated.

Ankara doubtless believes that it has made its point even with the compromise agreement. The Turks will probably continue to make similar probes to move Athens toward accepting Turkish demands.

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SPAIN

Demonstrations and strikes spread through Spain's Basque provinces yesterday protesting violent clashes on Wednesday between police and striking workers in the city of Vitoria.

The violence in Vitoria, the worst since Juan Carlos became king, was set off when police tried to control demonstrators who were participating in a "day of struggle" called by clandestine labor groups to support striking workers. The governor of the province had warned that the demonstration would be illegal, but claimed that the police fired only in self defense. Three demonstrators were killed and 50 to 100 were injured.

The deaths may have provided the martyrs sought by some of the leftist opposition. Basque clandestine political and labor groups have called for a general strike on Monday, while in Madrid the illegal Socialist Party issued a statement saying that nothing had changed substantially in post-Franco Spain despite the new government's promises of reform.

The civil government of Vitoria yesterday held an assembly in which it rejected acts of violence but also expressed concern over the methods used to guarantee public order. Local officials also decided to ask for an urgent audience with Prime Minister Arias and Interior Minister Fraga.

Madrid will undoubtedly try to calm the situation, but the interior minister will have to walk a tightrope between his desire not to set back the promised reforms and his statements that he will not tolerate disorder.

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USSR

The speech by Premier Kosygin—the chief economic spokesman for the USSR—to the 25th party congress on Monday added no new details to plans for 1976-80 and contained a largely uncritical recital of the economic accomplishments of the past five years.

Kosygin described the basic achievements of the 1971-75 plan as “stable growth” and improved welfare of the Soviet people, which he set against the poor economic performance of the West. He did not dwell on the agricultural disappointments but did concede that the overall growth in this sector was low and inevitably had an impact on light industries and food production industries. His scant criticism was directed at investment waste and technology lags. He made no mention of the long-term economic plan for 1976-90, referred to by General Secretary Brezhnev in his opening address on February 24.

Kosygin said that the “main task” of the new five-year plan would continue to be consumer welfare, to be achieved through balanced growth and increased efficiency, more rapid scientific and technical progress, high labor productivity, and qualitative improvements. He admitted that better planning and management are needed to fulfill these goals but also noted improvements. The 1976-80 plan, in annual increments, will be drawn up early.

The industrial goals for 1976-80 were said to be “realistic” and can be overfulfilled with the application of skilled management. Kosygin emphasized that the USSR is the only major industrial power whose development is based on its own fuel and energy resources, an advantage it intends to keep through a more judicious use of these resources. The agricultural goals were described as “minimum,” given the level of resources committed and favorable weather. Investment is to be aimed at agriculture and the expansion and reconstruction of existing plants.

Turning to foreign trade, Kosygin reported plans for expanding Soviet exports. Certain “high-quality” plants will produce only for export. Cooperation with the developed capitalist countries will include the compensation deals mentioned by Brezhnev, as well as Soviet participation in the construction of industrial enterprises in Western countries. Kosygin noted that “understandably,” Soviet trade and cooperation would develop more rapidly with countries that ensure the “provision of normal, mutually beneficial conditions for development.”

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FRANCE - WEST GERMANY

France and West Germany concluded an agreement during the recent Giscard-Schmidt talks in Nice to develop and exploit jointly their advanced nuclear power systems. As a result, Western Europe could be supplying advanced reactors years before US industry is expected to enter the market. The cooperation involves high temperature gas-cooled reactors and sodium-cooled fast breeder reactors, nuclear systems which cannot yet compete with existing power systems in either Europe or the US.

By the time the US demonstration fast breeder reactor at Clinch River becomes operational in the mid-1980s, France and West Germany are expected to have operating two demonstration plants and a more advanced 1,200 megawatt (electric) power station. A Franco-German company could be exporting fast breeder nuclear power stations five years before US industry is scheduled to reach that point.

The time lag for the US in the high temperature reactor field might be less, even though US utilities at the moment are reluctant to make the heavy initial investments needed to introduce this new generation of reactors into their power networks. West Germany has been developing high temperature reactors not only for more efficient production of electricity, but also for supplying heat energy to factories and chemical plants. These applications should provide an advantageous market for the Franco-German reactors.

The cooperation agreement is intended to reduce the enormous cost of bringing these new systems to the commercial stage and to assure a greater market for the commercial models. Cooperation will include design and manufacture of system components as well as research and development studies. It will also cover fuel fabrication and reprocessing technology for the two reactors. French and German industries will establish jointly owned subsidiaries to manage the sales and construction of power stations in both countries, and will study the prospects for exporting reactors as well.

France and West Germany have been spending increasingly large sums on competing programs, with little assurance that energy demands would support independent suppliers in each country.

In their new joint effort, West Germany offers a strong high temperature reactor program, and will benefit in return from France's unrivaled experience with fast breeder reactors. There is evidence, however, that France has encountered problems in fast breeder reactor fuel performance, and that reactor safety systems are not sufficient to meet foreign requirements. West Germany is in a good position to help in these problem areas.

Despite the new agreement, both countries are expected to continue pursuing cooperation agreements with the US.

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NIGERIA

Three weeks after the coup attempt, Nigeria is gradually returning to normal. The public temper seems to have cooled somewhat and fears of tribal or religious unrest are receding.

The new Nigerian leader, Lieutenant General Obasanjo, a Christian Yoruba from southern Nigeria, is busy with a round of meetings with traditional leaders of the dominant Muslim Hausa-Fulani people in the north. Obasanjo is seeking to reassure the northerners that he plans to continue the policies of his predecessor, the late General Muhammed, a Hausa, and to seek their support.

Nigeria's military leaders are still preoccupied with security matters as their investigation into the coup attempt continues. There are rumors in Lagos that as many as 200 military officers are under suspicion, and that there have been numerous arrests.

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The failure as yet to capture Dimka is adding to the regime's nervousness about who might have been involved in the affair.

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EGYPT

The \$725 million in cash-aid pledges President Sadat obtained during last week's swing around the Persian Gulf will keep Egypt financially afloat until June. The problem of obtaining at least \$1 billion in balance-of-payments support for the second half of the year, however, must still be faced.

According to the US embassy in Cairo, the pledges include \$300 million from Saudi Arabia, \$200 million from Kuwait, \$150 million from the United Arab Emirates, and \$75 million from Qatar.

When Sadat began his trip, he was faced with a 1976 balance-of-payments gap of \$2 billion in the non-military account. This was despite rising private investments, more than \$1 billion in expected aid from communist countries, the US, and other Western sources, and the aid already pledged by Arab states. New Arab aid will permit him to maintain planned import levels during the first half of 1976 without borrowing more than \$200 million in the expensive short-term market. In most of the last four half-year periods, Egypt's net short-term borrowing exceeded \$500 million.

Sadat apparently will now try to muddle through the second half of 1976 without seeking more Saudi help.

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[REDACTED] The Saudis have warned repeatedly, however, that ad hoc aid payments will continue to be small until Egypt's financial management improves. Their only concession to Cairo's long-term needs during Sadat's visit was a promise to promote a multilateral Arab aid fund for Egypt.

The impasse with Saudi Arabia has already inspired Cairo to patch up its relations with the International Monetary Fund. Last year, Egypt's refusal to devalue the pound as recommended by the IMF caused deferment of some \$300 million in loans. Cairo is now prepared to try a substantial devaluation and to consider other economic and financial reforms in the hope of reaching a compromise with the IMF, possibly during Chairman Witteveen's visit next week.

Cairo may also be able to draw on the Saudi-sponsored Arab aid fund before the end of 1976. The initial capitalization is expected to be \$2 billion. One fourth of this amount is to be made available once the fund begins operations, perhaps late this year. It is still unclear, however, whether firm commitments have been obtained from all prospective participants.

If piecemeal measures fail to raise the \$1 billion in financing that is required, Egypt will again probably resort to an increased level of short-term borrowing. In the past, Cairo's inability to meet payments on massive short-term indebtedness has been an effective means of prompting additional ad hoc Arab aid.

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ISRAEL

The first in a series of foreign policy debates within the ruling Labor Alignment on March 2 featured Prime Minister Rabin's defense of the decision to examine the possibility of non-belligerency agreements with the Arab states.

Rabin reportedly contended that Israel must pursue a flexible foreign policy aimed at creating new conditions which could eventually bring about changes in the positions and attitudes of the Arab states. He said Israel could not have refused to explore the possibility of obtaining an end to the state of belligerency—a clear reference to the need to demonstrate a positive approach to the US. During his statement, the Prime Minister indicated that Israel was prepared to make territorial concessions, including more than cosmetic withdrawals on the Golan Heights in return for non-belligerency agreements with Egypt and Syria.

On a less positive note, he reiterated his position that Israel would not totally withdraw from the Golan, even in return for full peace. Regarding the sensitive issue of negotiations with Jordan, Rabin said he would make no proposals to the US without first consulting his colleagues.

The Prime Minister also used the debate to point out again the benefits derived from the successful outcome of the Sinai II negotiations, noting that they had reduced Egypt's motivation for war, hampered Arab political-military cooperation, and strengthened Israel in case a lone Arab state provoked a crisis.

The decision to examine the possibility of non-belligerency agreements has generated considerable discussion within Israel and has been attacked by both left- and right-wing political groups. Several participants, including influential Labor members of the Knesset, Yitzhak Navon and Aharon Yariv, used the debate to register their unhappiness. They argued that non-belligerency was no substitute for a true peace settlement. Yariv and the secretary general of the Mapam Party, Meir Talmi, voiced the opinion that the government should prepare and present a comprehensive peace plan.

Nothing conclusive apparently resulted from this initial debate. While more debates will take place, no significant changes in policy are likely. From Rabin's point of view, the primary benefit to be derived from the debates is the opportunity to improve his relations with his party and his base of support in the Knesset, which have suffered from his aloofness and tendency to ignore his party's traditional decision-making apparatus. For the other participants, it provided a chance to share their views directly with the Prime Minister.

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SOUTH VIETNAM

The Vietnamese communists, determined to revitalize agriculture in the South, are resorting to sterner measures in their efforts to move large numbers of urban dwellers to the countryside. The population resettlement program is to make more labor available for farming, while gradually reducing the number of unemployed in the cities.

The communists want to recultivate areas which had fallen into disuse during the war and to develop new farmlands. Initially, the program enjoyed some success as the result of various incentives promised to volunteers, such as the provision of land, transportation, tools, building materials and other supplies. More recently, it appears that the program is becoming increasingly involuntary in nature. For example, city dwellers who report for free government food three times reportedly are selected for relocation regardless of their ability to cope with the rigors of farm life.

Recent reports indicate that the program has been conducted in a heavy-handed and inefficient manner in some areas; this probably caused considerable discontent. Rather than allow a family head to move first and prepare the area, entire families are obliged to move together on short notice. Frequently, the goods promised by the government fail to arrive on schedule or do not show up at all. The rough conditions and lack of amenities reportedly have led to high death rates, particularly among children and the aged.

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Despite the problems, the relocations are expected to continue. Refugees who fled from the countryside in the last months of the war and civil and military personnel who worked for the former government of South Vietnam have greatly swollen the ranks of the unemployed in many cities in the south. This overcrowding has placed heavy strains on the ability of the communist regime to provide adequate food and housing. In Saigon alone, communist plans call for moving some 1.5 million persons out of the city. So far, less than 500,000 are believed to have been moved.

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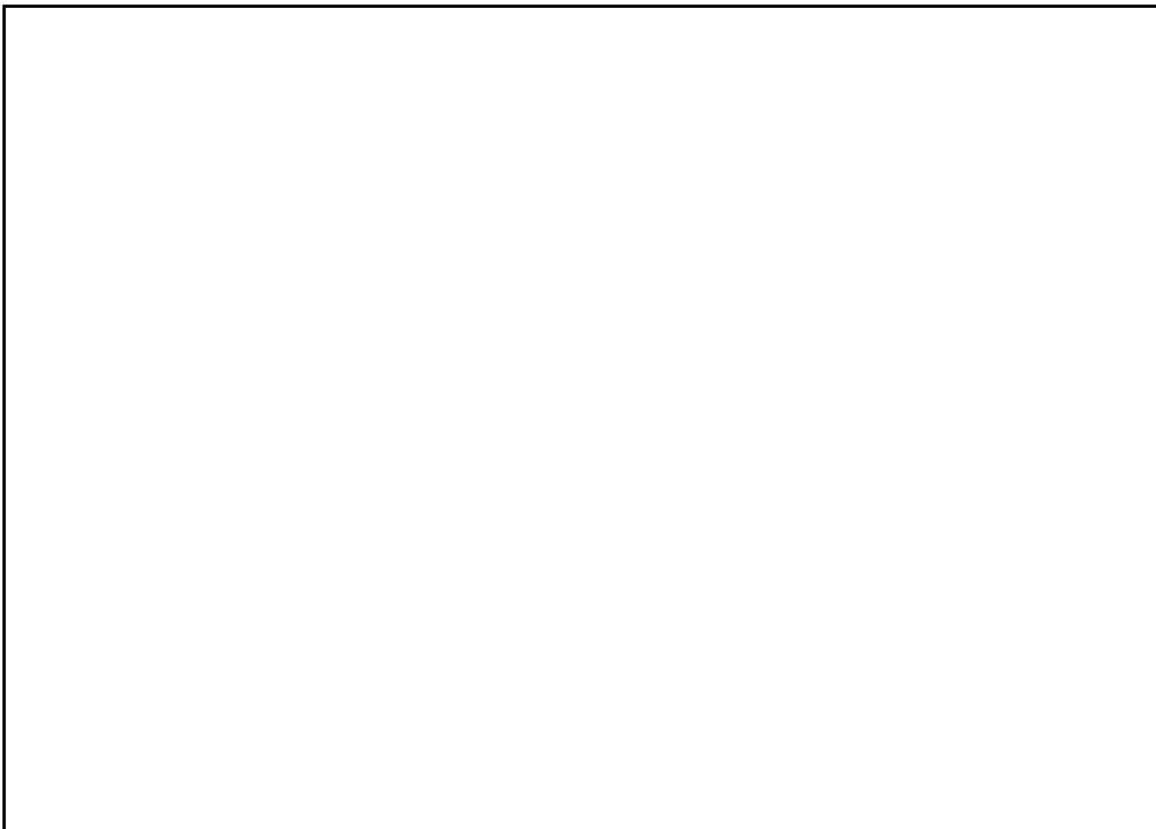
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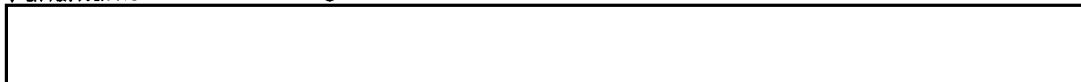
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YUGOSLAVIA: Cuban Prime Minister Castro will visit Yugoslavia this weekend, as part of an East European tour following the Soviet party congress. The Cuban leader and President Tito will likely discuss Angola and trends in Latin America. Tito is expected to leave next Wednesday on a tour that includes Mexico, Panama, and Venezuela. In the past, Belgrade has expressed support for the Panamanians in their negotiations with the US over the future of the Canal Zone.

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